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**ANICOM'S FORMER CHAIRMAN OF THE BOARD ADDED
AS A DEFENDANT IN CORPORATE FRAUD SCHEME**

CHICAGO -- The former Chairman of the Board of the now-defunct Anicom, Inc., was indicted today for allegedly engaging in a corporate fraud scheme by inflating sales and revenues by tens of millions of dollars beginning approximately three years before the company went bankrupt. The former executive, **Scott Anixter**, was added as a defendant in a superseding indictment returned today by a federal grand jury. He now faces charges together with former Chief Financial Officer **Donald Welchko**. Today's 26-count indictment alleges that Anixter and Welchko, along with various co-schemers, created fictitious sales of at least \$24 million, understated expenses, and overstated net income and earnings by millions of dollars, knowing that the materially false financial information was being provided to investors, auditors, lenders and securities regulators, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Mr. Fitzgerald, a member of the President's Corporate Fraud Task Force, announced the charges together with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, and Mary E. Keefe, Regional Director of the Securities and Exchange Commission. The Corporate Fraud Task Force, chaired by Acting Deputy Attorney General Robert D. McCallum, Jr., was created by President Bush to oversee and direct federal law

enforcement actions against corporate corruption that had eroded investor confidence in the integrity of U.S. markets.

“Today’s charges demonstrate the thorough, methodical approach the Department of Justice takes in investigating and prosecuting corporate fraud,” said Acting Deputy Attorney General Robert D. McCallum, Jr., the head of President Bush’s Corporate Fraud Task Force. “If evidence developed during the course of an investigation leads us to the top executives of a company, including the chairman of the board, like Mr. Anixter, criminal charges will be forthcoming.”

Mr. Fitzgerald said: “Our investigations and prosecutions of corporate executives who cook financial books and records will continue until everyone who is responsible is held accountable. Boardrooms do not provide sanctuary from prosecution and we will reach to the highest levels, if necessary, to protect the integrity of our financial markets.”

Anicom was a national distributor of wire and cable products, such as fiber optic cable, based in Rosemont, Ill. Its shares were publicly traded on the NASDAQ stock market until trading was halted on July 18, 2000, when Anicom announced that it was conducting an investigation into possible accounting irregularities and that investors should not rely on its 1998 and 1999 financial statements. Anicom reported more than 25 million shares of common stock outstanding in May 2000 and the stock closed at \$4 a share the day before trading ceased. Anicom’s stock was delisted from the NASDAQ exchange on Nov. 16, 2000, and its share price fell to 75 cents when it resumed over-the-counter trading the following day, reflecting a market loss of more than \$80 million.

The defendants charged in the superseding indictment are:

Scott Anixter, 54, of Glencoe, who was Anicom’s Chief Executive Officer, Chairman and a member of the Board of Directors from Anicom’s inception in 1993. In September 1999, Anixter moved from CEO to become Chairman of the Board. During 1999, he was paid a base salary of \$400,000. In 2000, Anixter and his

immediate family had beneficial ownership of more than two million shares of Anicom; and

Donald Welchko, 49, of Willow Springs, who was Anicom's Chief Financial Officer and responsible for its accounting and finance functions. In 1998, he became a Director and was a member of the Audit Committee. Welchko participated in preparing Anicom's annual, quarterly, and other periodic reports filed with the SEC. During 1999, Welchko was paid a base salary of \$230,000 and a bonus of \$40,000.

Both defendants were each charged with three counts of securities fraud, five counts of bank fraud, five counts of making false statements to financial institutions, and seven counts of making false statements to the SEC. Welchko alone was charged with an additional count of making false statements to the SEC, four counts of falsifying Anicom's financial books and records, and a single count of obstruction of justice in connection with the SEC's investigation. Both men will be arraigned at a later date in Federal Court in Chicago. A status hearing in the case is set for Oct. 30 before U.S. District Judge Robert Gettleman.

According to the superseding indictment, beginning no later than early 1998 through September 2000, the defendants and their co-schemers engaged in a securities fraud scheme that deceived purchasers and sellers of Anicom's common stock. From the first quarter of 1998 through at least May 2000, they allegedly overstated sales, revenue and net income by creating numerous fictitious sales and fraudulent billings, including approximately \$10.45 million in sales to a fictitious company. They also engaged in additional fraudulent accounting practices that overstated revenue and understated expenses for particular quarters and years, knowing that the practices were contrary to Generally Accepted Accounting Principles (GAAP) and did not fairly and accurately reflect Anicom's business transactions, the superseding indictment alleges.

As part of the fraud scheme, the defendants and their co-schemers falsely represented and caused to be falsely represented financial information contained in at least nine Form 10-Q reports filed with the SEC in 1998, 1999, and for the first quarter of 2000, as well as the 10-K reports filed

with the SEC for 1998 and 1999. Anicom's Form 10-K reports for 1998 and 1999 included the Report of the Company's Independent Accountants, Price Waterhouse Coopers, which stated that management represented that the financial information contained in those reports was prepared in conformity with GAAP and fairly presented Anicom's financial position in all material respects. By failing to disclose the fraud scheme to Price Waterhouse and causing Anicom to misrepresent its revenue and earnings, the defendants and their co-schemers allegedly intended to inflate the price of the company's shares in the marketplace.

In the sales fraud component of the scheme, the superseding indictment alleges that the defendants and their co-schemers caused Anicom to recognize millions of dollars in fictitious sales and improper billings that fraudulently inflated reported revenues and gross profits. The defendants and their co-schemers knew that these fictitious orders and improper billings were fraudulently recognized as revenue, along with any associated profit, on Anicom's financial statements filed with the SEC. Near the end of financial reporting quarters in 1998, 1999, and in the first quarter of 2000, the defendants and their co-schemers allegedly knowingly billed and caused to be billed orders that customers had not placed, and orders that had not shipped to the customer, many of which were at least hundreds of times greater than Anicom's approximate average order of \$1,000.

The bank fraud charges allege that Anixter and Welchko engaged in a scheme to defraud a consortium of lenders. The two executives allegedly provided false and misleading financial information to the lenders to increase Anicom's revolving credit limit to \$100 million in June 1998, and again, to \$120 million in November 1998. The lenders included Harris Trust and Savings Bank, LaSalle National Bank, First National Bank of Chicago (now Bank One), and Bank of America National Trust and Savings Association. In December 1999, Anicom reached a new credit agreement with its current lenders and two new financial institutions, Firststar Bank and Fleet Capital Corp., to increase its available borrowing limit to \$150 million, which was collateralized by

Anicom's receivables and inventory, and which continued to be based on allegedly false and fraudulent financial information.

The following defendants were charged previously in the case: **Carl Putnam**, 55, of Naperville, who was Anicom's President, a Director, and in September 1999 also became Chief Executive Officer; **John Figurelli**, 56, of Libertyville, who joined Anicom as Vice President of Credit Services and an officer in August 1997, and later became Vice President of Operations and Credit Services; Executive Vice President of Operations and Logistics; and Chief Operating Officer; **Daryl Spinell**, 38, of Naperville, Anicom's Vice President of Sales, who reported directly to Putnam and managed Anicom's sales force; **Ronald Bandyk**, 37, of LaGrange, a certified public accountant, who was Anicom's Vice President – Accounting and, later, Vice President – Controller; and **Renee Levault**, 35, of Huntley, who managed Anicom's Drop Ship Billing Department.

The government is being represented by Assistant U.S. Attorneys Sean Berkowitz and Edmond Chang.

If convicted of securities fraud, Anixter and Welchko each face a maximum penalty of 10 years in prison and a \$1 million fine on each count. The remaining charges against Welchko and Anixter carry the following maximum penalties on each count: bank fraud and making false statements to financial institutions – 30 years and a \$1 million fine; making false statements to the SEC – 5 years and a \$250,000 fine; and falsifying financial books and records – 10 years and a \$1 million fine. The obstruction count against Welchko carries a maximum penalty of 5 years and a \$250,000 fine. As an alternative maximum fine, the Court may order a fine totaling twice the gross loss of any victim or twice the gain to the defendant, whichever is greater. Restitution is mandatory. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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